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The Manufacturers Hanover
Economic Report

Irwin L. Kellner
Senior Vice President
and Economist

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Who's Right?

During the summer, the Congressional Budget Office (CBO) and the Office of Management and Budget (OMB) released budget projections for the balance of this decade. As you will recall, both agencies projected that the Federal Government's budget will remain in the red through the year 1989—and by a substantial amount. In addition, the estimates of these two agencies varied to a considerable extent.

Given the magnitudes of the numbers projected for Washington's flow of red ink (Table I), the reader would not be blamed for responding to the question posed in the headline of this Report by saying, "who cares?" For either set of numbers means a significant rise in the country's debt burden, thus raising questions regarding the availability of money for the private sector to grow and prosper. However, there is one important difference between the two sets of budget numbers which could have a bearing on the level of interest rates, affecting not only our economy, but foreign economies as well.

The CBO projections show the deficit rising each year starting in 1985, whereas the Administration's outlook is for the deficit to decline, by and large. By 1989, as you can see, there is a gap of $124 billion between the two forecasts. Since it is generally agreed that interest rates are high today relative to inflation because of fears of what these deficits might do to the cost and availability of money, it would follow that a deficit that tends to decline over the years—even if it remains uncomfortably large—might be consistent with some decline in these levels of real interest rates. On the other hand, the reverse might be expected, were the deficit to trend upward.

While the question posed in the headline of this Report cannot be answered definitely until the books are closed on fiscal year 1989 five years from now, it may not be a fruitless exercise to examine these two sets of

TABLE I

ECONOMIC PROJECTIONS
OMB vs. CBO

				Projections									
	1983(a)	1984(e)		1985		1986		1987		1988		1989	
		O*	C*	O	C	O	C	O	C	O	C	O	C
Real GNP Growth (% change, year-over-year)	3.7	7.2	7.3	4.3	3.6	4.0	3.1	4.0	3.3	4.0	3.1	3.9	3.0
Consumer Price Index for Urban Wage Earners & Clerical Workers (% change, year-over-year)	3.0	3.5	3.2	4.6	5.2	4.5	5.0	4.2	4.7	3.9	4.8	3.6	4.8
Unemployment Rate[1] (percent, annual average)	9.5	7.2	7.3	6.6	6.7	6.4	6.6	6.2	6.4	5.9	6.3	5.7	6.3
3-Month Treasury Bill Rate (percent, annual average)	8.6	9.5	10.0	9.3	9.7	8.5	8.9	7.2	8.9	5.9	8.9	5.1	8.9
Wages and Salaries (% change, year-over-year)	5.8	8.7	9.0	7.9	8.4	8.2	7.8	8.5	8.0	8.5	7.7	7.9	7.7
Addendum: Federal Budget Deficit (billions of dollars)	−195	−174	−172	−167	−178	−166	−195	−173	−216	−160	−238	−139	−263

[1]OMB forecasts the total unemployment rate including armed forces, while CBO forecasts the civilian unemployment rate.

*O = Office of Management and Budget C = Congressional Budget Office (a) actual (e) estimate

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budget projections. This is because participants in the business, economic and financial communities must have some idea of what the government is planning so that they can draw up their own plans.

It seems to me that there are four ways of analyzing these projections. One can examine assumptions made regarding legislative policy—that is whatever changes are anticipated in current laws governing taxes or spending. It is also possible to compare the economic assumptions that underlie both sets of projections. Another useful approach is to see if the forecasts are internally consistent. Finally, the track records: How good have these agencies' forecasts been in the past?

Policy Assumptions Differ...

Differing policy assumptions between CBO and OMB account for some of the differences in the projections of the budget deficit as well as in its direction. The CBO estimate assumes no further changes in current laws governing taxes or spending, whereas OMB's mid-session outlook includes policy changes that have been proposed but not yet enacted. These changes are expected to yield close to $37 billion worth of increased revenues over the 1985–89 period, along with nearly $11 billion worth of outlay savings. This alone is responsible for reducing the OMB's five-year deficit projection by $47.5 billion. An additional sum of $17.6 billion is added to reflect the savings in debt service that the Administration thinks will result once the reduced deficit projections come to pass. Interestingly, both OMB and CBO have similar projections for defense outlays. CBO expects national defense expenditures to total $1,654 billion during the 1985–89 period, while OMB projects $1,655 billion.

Adding all this up reduces OMB's budget deficit projected through 1989 by $65 billion. This is slightly more than half of the difference between its projections for 1989 and CBO's. It is, of course, a matter of opinion as to whether or not these policy changes assumed by the Administration on both the revenue and spending side will come to pass. They both depend on the results of the elections—not only whether the President is re-elected, but the makeup of the new Congress and whatever "mandate" can be derived as a by-product.

Of course, differing economic assumptions also account for differences in the two sets of deficit projections. In the main, the Administration assumes faster economic growth, less unemployment, lower interest rates and less inflation than does the Congressional Budget Office. Like policy, assumptions about economic conditions are also a matter of opinion and may or may not come to pass. However, unlike policy assumptions, it is possible to evaluate the economic assumptions based on historical precedent and internal consistency.

...As Do Economic Projections

Both OMB and CBO forecast continued growth through the period; neither expects a recession. While it might be too much, perhaps, to expect either agency to project a recession over such a long horizon, it is important to note what the absence of a projected recession would mean from a historical standpoint. The period between fourth-quarter 1982 and fourth-quarter 1989 is seven years or 28 calendar quarters. Only once in the past 130 years did the economy grow uninterruptedly for such a long period of time. That was, of course, the 106-month expansion that started in February 1961 and lasted until December 1969. The only other expansion that comes even close to it was the 80-month expansion which began in June 1938 and lasted until February 1945. Both expansions, I might add, are considered by the National Bureau of Economic Research to have been wartime expansions. And periods of war, the record shows, tend to lengthen expansions by an average of one year. Since the current period is peacetime in nature, it would be quite an accomplishment if the current expansion lasted 28 calendar quarters: The average postwar peacetime expansion has lasted only 34 months.

As for the rate of growth, the Administration projects that the real GNP will expand by 37.6 percent during the 28 quarters between fourth-quarter 1982 and fourth-quarter 1989. This is larger than any increase posted during the past 35 years with the exception of the 40.5 percent rise recorded during the 1961–69 expansion. It is also 70 percent above the historical average increase in the real GNP during the average expansion. The fact that CBO's projected growth rate was chosen to be consistent with the average growth rate for the seven years following the end of the first six postwar recessions does not make it any more likely to occur.

When one looks at all of the uncertainties out there, one can see why it is appropriate to be skeptical regarding the prospects for a seven-year recovery. Let's start with the present. The walkout on September 15th by the United Auto Workers against General Motors should be a reminder that strikes can and do occur from time to time and if they occur in a major industry such as autos, they could have a depressing effect on economic activity in the aggregate. Indeed, it was a similar walkout in 1970 that hit the economy so hard that the entire year was eventually classified a recession year. While the labor movement has been rather restrained during the past several years, it has been due largely to the recession and its after-effects—not to mention the impact of the strong dollar. Regardless of

TABLE II

INTEREST OUTLAYS AND THE BUDGET DEFICIT

CBO vs. OMB

Year	$ Billions				Interest Outlays as Percent of Budget Deficit		Interest Outlays as Percent of Total Outlays		Interest Outlays as Percent of Personal Income Tax Revenues	
	Interest Outlays		Budget Deficit							
	CBO	OMB	CBO	OMB	CBO	OMB	CBO	OMB	CBO	OMB
1983 (a)	$ 90	$ 90	$195	$195	46%	46%	11%	11%	31%	31%
1984 (e)	111	109	172	174	65	63	13	13	37	37
1985 (p)	134	130	178	167	75	78	14	14	39	38
1986 (p)	150	146	195	166	77	88	15	15	40	39
1987 (p)	169	156	216	173	78	90	15	15	41	38
1988 (p)	194	160	238	160	82	100	16	14	43	35
1989 (p)	214	147	263	139	81	106	16	12	43	30

(a) actual (e) estimate (p) projection

what happens to the dollar, it is not reasonable to assume that labor will remain as subdued in the future (especially during a seven-year boom) the way it was in the past.

The Dollar Is An Uncertainty

With reference to the dollar, the Administration makes no mention of what might happen were the dollar to fall. Given its forecast of declining real interest rates over the period, plus the general feeling that it is today's high level of real interest rates in the U.S. compared with other countries that has boosted the value of the dollar, it is not unreasonable to assume that the dollar might drop over this forecast horizon. The CBO forecast does not deal with the value of the dollar in its longer run projections, but it does explicitly assume that the dollar will remain at its present high level through 1985. It also discusses what might happen in the event of a sharp depreciation in the dollar.

CBO believes that the short-run effect of dollar depreciation would be to temporarily increase the U.S. trade deficit, although within a year or so the trade balance should begin to improve as U.S. goods become more competitively priced abroad and foreign-made goods become more expensive. Depreciation of the dollar would also boost inflation; CBO believes that each 10 percent reduction in the value of the dollar would increase the overall price level by about one percent within two years.

Any further effect on the economy in general and on the financial markets in particular would depend on how the Federal Reserve reacted. If the Fed did not compensate by boosting its monetary growth targets, CBO believes that domestic interest rates would probably rise. Interest rates would also be under upward pressure reflecting the movement out of dollar assets that would lead to a drop in the dollar in the first place.

Besides strikes and changes in the value of the dollar, there are other uncertainties—some of which can be anticipated, while others could come as a surprise. Those that one could think of include a dramatic change in world oil prices (up or down) and the trend towards increased protectionist pressures which at some point could materially reduce world trade and retard economic growth both here and abroad. Also, the weather is a constant uncertainty and could affect prices and supplies of foods.

One of the things that bothers me about both forecasts is what the continued flow of red ink means for Washington's interest expense. As you can see from Table II, CBO projects that by 1989 the Federal Government's annual cost of servicing its debt will amount to $214 billion compared with $90 billion last year. This would equal more than 80 percent of CBO's projected deficit for that year and take approximately one out of every six dollars that the government will budget for spending. By contrast, OMB's projected interest expense is lower ($147 billion)—but as a percentage of the projected deficit it is an astounding 106 percent! One wonders if either scenario could ever come to pass and if either does, what it would mean to the government's ability to *ever* reduce the budget deficit—not to mention to the public's attitudes toward those who hold Treasury securities and who would rightly demand that their interest be paid.

Perhaps there is one ray of hope. The ability of CBO and OMB to forecast the Federal Government's budget deficit is, to put it kindly, poor. Both agencies forecasted in July 1981 that by this year Uncle Sam would enjoy a budget surplus. Maybe both these agencies will make the same kind of forecasting error in the future that they did in the past—hopefully overestimating, rather than underestimating Washington's budget deficit.

Who's right? Neither, I hope.

H

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The Manufacturers Hanover
Economic Report

Irwin L. Kellner
Senior Vice President
and Economist

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Economic Forecast For 1985

The U.S. economy has reached a critical juncture. The business recovery will celebrate its second anniversary next month. By business cycle standards, this takes it out of the stage of youth and puts it more in the category of middle age. This is because in the postwar era, upswings have averaged only 34 months during peacetime periods. And while an average does not necessarily indicate an upper limit to the life of an expansion, it does suggest that, from now on, it will be more susceptible to adverse developments than it was when it was younger and more vigorous.

Another historical point might be worth noting. While business generally does well during a Presidential election year, it tends to suffer in the period immediately following. With only two exceptions, the U.S. has had a recession within 13 months of every Presidential election since 1944. More specific to the current scene, there are a number of economic statistics which are giving off mixed signals.

The Signs Are Favorable...

For a while, it looked like a recession was nigh. The Commerce Department's widely-followed index of leading economic indicators fell in June and again in July. There were widespread expectations that the August reading would show another decline, making it three in a row. While there have been many occasions when a three-month drop in the leading economic indicators was not immediately followed by a recession, every recession that has developed in the postwar era has been preceded by such a three-month decline. Fortunately, this did not occur, but even with August's uptick, this index is about at the same level as it was last January.

There are other signs of softening as well. For one thing, industrial commodities' prices have been dropping sharply since last spring. Such a drop in these commodities' prices is usually associated with an economic decline, not an upswing. Another sensitive indicator of current and future business conditions is the stock market. Notwithstanding the ups and downs of the past few months, the fact remains that equities, as measured by the widely-followed averages, are no higher today than they were a year ago. And even with September's increase, sales of actual merchandise at the retail level are only slightly above levels first reached at the end of 1983.

Not surprisingly, factory output rose only 1/2 percent over the third quarter compared with more than two percent in the second and nearly three percent in the first; September's decline was the first in almost two years. The unemployment rate is no lower today than it was last May after dropping at an average rate of 0.2 percent per month during the previous 20 months. New-home construction is no higher than a year ago, while the annual rate of new car sales hasn't changed very much since January. To top it off, imports are accounting for a rising share of a wide variety of products at the business and consumer level.

Having taken note of all of these factors, it would appear that the pluses still exceed the minuses. As you can see from the GNP table, no recession is expected during the forecast period. I would offer several reasons for this belief. The first stems from an analysis of the push that the economy is getting from fiscal and monetary policies. It should not be forgotten that these do play a key role in shaping business conditions. Fiscal policy, as you might have suspected, is extremely stimulative—what else would it be, in view of the tremendous budget deficits racked up in recent years? However, you might be surprised to learn that monetary policy is stimulative, too. Both fiscal and monetary policy in real (inflation-adjusted) terms are more stimulative during this expansion than they have been in any prior postwar upswing—and by a considerable amount.

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Business is adding thrust as well. According to the Commerce Department's latest survey of corporate spending intentions, capital spending will rise this year, after falling for two consecutive years. This has several favorable implications for the current business expansion. When companies spend more on capital goods, it increases the demands on those industries that produce these goods. This means more employment, more materials and supplies, as well as financial and other services. You can see where this has a ripple effect throughout the economy. Additionally, as new capacity comes onstream, it adds to industry's ability to turn out goods without the shortages and bottlenecks which usually lead to inflation. And by replacing outmoded machinery and equipment with the latest technological developments, it makes U.S. business more efficient, further helping to contain inflation.

. . . For Low Inflation . . .

On the subject of inflation, I cannot help but note that, contrary to the fears expressed by some economists, Wall Streeters and others, inflation has remained tranquil so far in this economic recovery (Economic Report—March, 1984). Twenty-one months into the current expansion finds prices, as measured in the GNP accounts, rising by the smallest percentage for this stage of any recovery since the early 1960s. Producer prices are up only one third as fast as they have been at this point in past business expansions; they have been virtually flat since last spring. The drop in prices of industrial raw materials referred to earlier argues for continued stability at the producer level and very low inflation at the consumer level. As long as inflation remains modest, the expansion will continue, for people's buying power will remain strong and the Federal Reserve will have no reason to tighten.

There are other souces of strength. For one thing, business has maintained a fairly low level of inventories relative to sales. In most industries, inventories are at one of their lowest levels relative to sales in the postwar era, taking out the effects of inflation. With consumer spending rising once again, and the important Holiday shopping season rapidly approaching, you can see where many businesses will be hastily adding stocks—fueling further the pace of economic activity.

In retrospect, it should have been apparent that the summer lull in consumer spending was not likely to last very long. For consumers are in very good psychological and financial shape—factors which show up in the various surveys of consumer buying intentions. Attitudes are positive, thanks to high levels of employment combined with moderate inflation and lower taxes. This is supported by the latest reading of the so-called "misery" index—the combination of inflation and unemployment—which today is half of what it was four years ago and is the lowest since 1973.

Incomes are rising faster than prices and taxes, thanks not only to high employment, but also to high interest rates. As has been pointed out in the past, interest income is now the second largest component of personal incomes and just about the fastest growing. People's interest earnings far exceed their interest expense. The net result of all of this is that consumers' buying power in the aggregate is growing at one of the fastest rates in the past ten years. And if this were not enough, individuals' savings are up and they have room to take on additional debt, if they need to.

With all of these favorable factors in train, it is appropriate to ask the question: What happened during the third quarter? Why did business activity slow as dramatically as it did? In my opinion, this slowing—which, by the way, was long awaited and hoped for by many in the financial community—can be explained by two major factors. The first is that it is not unusual for the pace of business to slow seven quarters into an economic expansion. If one might be permitted the analogy of an aircraft, upon takeoff the ascent is steep; once cruising altitude is reached the plane levels off—but it is still going forward and that is all that matters. If there is anything unusual about the current experience, it's that it took so long for this leveling off to occur. For even with the slower rate of growth in the third quarter, the current expansion is still stronger than it has been at this point in the typical postwar economic upswing. This recovery's second year has so far been stronger than its first—the reverse of the usual cyclical pattern.

Another reason why this slowdown in particular occurred stems from developments in Detroit. As you will recall, the United Auto Workers spent a good part of the summer negotiating a new contract with General Motors. There were widespread fears that these negotiations would not result in a new contract by the time the old one expired and that the UAW would go out on strike. As a consequence, many suppliers to the automobile industry as well as those who sell to these suppliers and to their employees cut back their shipment of goods and stocking of inventories, not wishing to get caught with piles of unsold merchandise. This, quite naturally, depressed sales and output in a broad sector of industry. Additionally, there were shortages of certain popular cars which further constrained spending. I would also not be surprised if the political conventions, the Olympics, a boom in overseas travel reflecting the strong dollar, and some unusually bad weather back in the U.S. kept many people out of stores. Plainly, these factors are now behind us, thus I expect a pickup in growth in the current quarter which will provide a good jumping-off point for 1985.

. . . And More Growth

This jumping-off point is so high that even if the real GNP flattens at fourth-quarter 1984's level, 1985's GNP will still come in about 1-1/2 percent higher than this year's average. But as you can see from the table, we are not expecting such a flattening, although we do believe that growth will be more subdued next year.

The reasons for this slowdown in growth stem from its composition. This year and last were largely powered by the consumer, making up for time lost during the recession of 1981-82 as well as the dip of first-half 1980. Now the torch is being passed to business, and while corporate expenditures should rise at a healthy clip, it will not be enough to offset the slowing expected in the much larger level of consumer spending, as more and more people find that their pent-up demands have been satisfied and/or discover that high interest rates will make it difficult for them to buy housing and other big-ticket items. Job creation, which has already slowed somewhat, will slow some more; this, too, will cut into growth of consumer spending. And of course, a good part of these demands will be met by imported merchandise while the dollar remains strong.

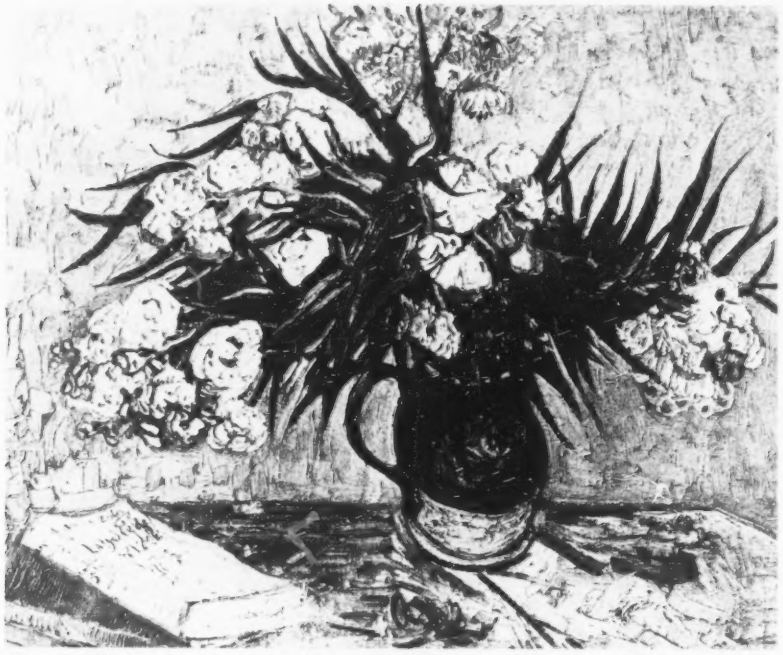
The point to remember is that as long as inflation and inventories remain modest, neither the Federal Reserve nor the private sector will step on the brakes. Thus the current slowdown is unlikely to develop into a recession—at least not yet. H

October, 1984

MHT FORECAST OF GROSS NATIONAL PRODUCT
(Seasonally Adjusted Annual Rates)
In $ Billions

	< Actual			Projected >								
	1984				YEAR 1984		1985				YEAR 1985	
	1	2	3	4	LEVEL	% CH	1	2	3	4	LEVEL	% CH
Gross National Product	3553.3	3644.7	3701.2	3773.0	**3668.1**	**11.0**	3842.1	3886.7	3931.8	3986.6	**3911.8**	**6.6**
GNP: $72	1610.9	1638.8	1649.6	1668.4	**1641.9**	**7.0**	1681.1	1684.9	1688.8	1693.6	**1687.1**	**2.8**
% Change, Annual Rates	10.1	7.1	2.7	4.6	**7.0**		3.1	0.9	0.9	1.1	**2.8**	
Consumption	2276.5	2332.7	2359.3	2409.9	**2344.6**	**8.8**	2452.7	2487.2	2518.3	2552.0	**2502.5**	**6.7**
Durables	310.9	320.7	317.3	330.7	**319.9**	**14.3**	336.6	337.6	337.2	337.6	**337.3**	**5.4**
Non-Durables	841.3	858.3	863.3	874.1	**859.3**	**7.2**	886.3	897.0	907.0	918.1	**902.1**	**5.0**
Services	1124.4	1153.7	1178.7	1205.1	**1165.5**	**8.5**	1229.8	1252.5	1274.2	1296.3	**1263.2**	**8.4**
Investment	623.8	627.0	660.5	655.6	**641.7**	**36.1**	662.3	661.0	663.5	671.9	**664.7**	**3.6**
Non-Residential	398.8	420.8	431.5	451.7	**425.7**	**20.6**	462.0	470.8	478.7	485.7	**474.3**	**11.4**
Producers Durable Equipment	256.7	270.7	279.9	290.1	**274.4**	**22.9**	295.1	299.7	303.8	307.0	**301.4**	**9.8**
Structures	142.2	150.0	151.6	161.5	**151.3**	**16.7**	166.9	171.1	174.9	178.8	**172.9**	**14.3**
Residential	151.2	155.6	156.6	152.6	**154.0**	**16.5**	151.0	149.4	148.8	150.5	**149.9**	**-2.7**
Inventory Changes	73.8	50.6	72.4	51.3	**62.0**		49.2	40.8	36.0	35.7	**40.4**	
Net Exports	-51.5	-58.7	-85.5	-68.7	**-66.1**		-67.0	-71.3	-75.5	-80.1	**-73.5**	
Government Purchases	704.4	743.7	766.9	776.3	**747.8**	**9.1**	794.2	809.8	825.6	842.9	**818.1**	**9.4**
Federal Defense	213.4	220.8	225.4	232.1	**222.9**	**11.2**	239.0	244.1	249.4	257.5	**247.5**	**11.0**
Federal Civilian	54.2	75.6	82.3	79.1	**72.8**	**5.1**	81.3	82.7	83.6	83.1	**82.7**	**13.6**
State & Local	436.8	447.4	459.2	465.1	**452.1**	**8.7**	473.9	483.0	492.5	502.3	**487.9**	**7.9**
Final Sales: $72	1579.3	1618.5	1618.5	1646.9	**1615.8**	**5.0**	1660.7	1668.2	1674.3	1679.4	**1670.7**	**3.4**
% Change, Annual Rates	3.6	10.3	0.0	7.2	**5.0**		3.4	1.8	1.5	1.2	**3.4**	
GNP Price Index (1972 = 100)	220.6	222.4	224.4	226.1	**223.4**	**3.8**	228.6	230.7	232.8	235.4	**231.9**	**3.8**
% Change, Annual Rates	4.4	3.6	3.6	3.1	**3.8**		4.3	3.8	3.8	4.5	**3.8**	
PCE Defiator (1972 = 100)	218.0	219.2	221.6	223.1	**220.5**	**3.2**	225.1	227.2	229.4	231.8	**228.4**	**3.6**
% Change, Annual Rates	3.8	2.2	4.5	2.7	**3.2**		3.7	3.8	3.9	4.3	**3.6**	
Consumer Price Index (1967 = 100)	306.8	309.6	312.5	315.5	**311.1**	**4.3**	318.5	321.6	324.7	328.2	**323.3**	**3.9**
% Change, Annual Rates	5.0	3.7	3.9	3.8	**4.3**		4.0	3.9	3.9	4.3	**3.9**	
Total Personal Income	2920.5	2984.5	3047.7	3089.8	**3010.6**	**9.7**	3145.0	3186.3	3232.3	3288.7	**3213.1**	**6.7**
Disposable Personal Income	2502.2	2554.3	2604.8	2637.9	**2574.8**	**10.0**	2688.9	2722.8	2760.0	2805.5	**2744.3**	**6.6**
Savings Rate	6.1	5.7	6.1	5.5	**5.8**		5.6	5.5	5.6	5.9	**5.7**	
Employment Rate	57.5	58.2	58.1	58.4	**58.0**		58.6	58.7	58.7	58.6	**58.6**	
Unemployment Rate	7.9	7.5	7.4	7.1	**7.5**		7.1	7.2	7.3	7.5	**7.3**	
Indus. Production (1967 = 100)	159.8	163.1	165.7	167.8	**164.1**	**11.2**	169.5	169.7	169.8	169.9	**169.7**	**3.4**
Housing Starts (000)	1968.0	1895.3	1656.3	1659.2	**1794.7**	**5.4**	1632.5	1582.7	1547.8	1590.9	**1588.5**	**-11.5**
Domestic Auto Sales (000)	8162.3	8262.0	8023.4	8220.5	**8167.1**	**20.2**	8609.9	8153.5	7845.8	7455.1	**8016.1**	**-1.8**
Corporate Pre-Tax Profits	243.3	246.0	243.0	247.1	**244.8**	**20.5**	244.3	236.3	228.2	222.7	**232.9**	**-4.9**
– Taxes	92.7	95.8	95.1	99.9	**95.9**		99.6	95.1	90.6	87.5	**93.2**	
Net Profits	150.6	150.2	147.9	147.1	**149.0**	**16.9**	144.7	141.2	137.6	135.2	**139.7**	**-6.2**
– Dividend Payments	77.7	79.9	81.1	82.4	**80.3**	**10.2**	84.2	86.5	89.0	91.3	**87.7**	**9.3**
Undistributed Profits	72.9	70.2	66.9	64.7	**68.7**	**26.0**	60.5	54.7	48.6	43.9	**51.9**	**-24.4**
+ Depreciation	287.5	296.4	306.0	316.6	**301.6**		330.6	340.7	350.8	361.9	**346.0**	
– Inventory Profits	13.5	7.3	4.8	7.8	**8.3**		15.4	16.8	17.4	21.7	**17.8**	
Net Cash Flow	346.9	359.3	368.1	373.6	**362.0**	**17.6**	375.7	378.7	381.9	384.1	**380.1**	**5.0**

VAN GOGH



IN ARLES

The Metropolitan Museum of Art
October 18-December 30, 1984

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This exhibition gathers over 140 van Gogh works of art that have never been seen together before, and Manufacturers Hanover is pleased to help make it possible.

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